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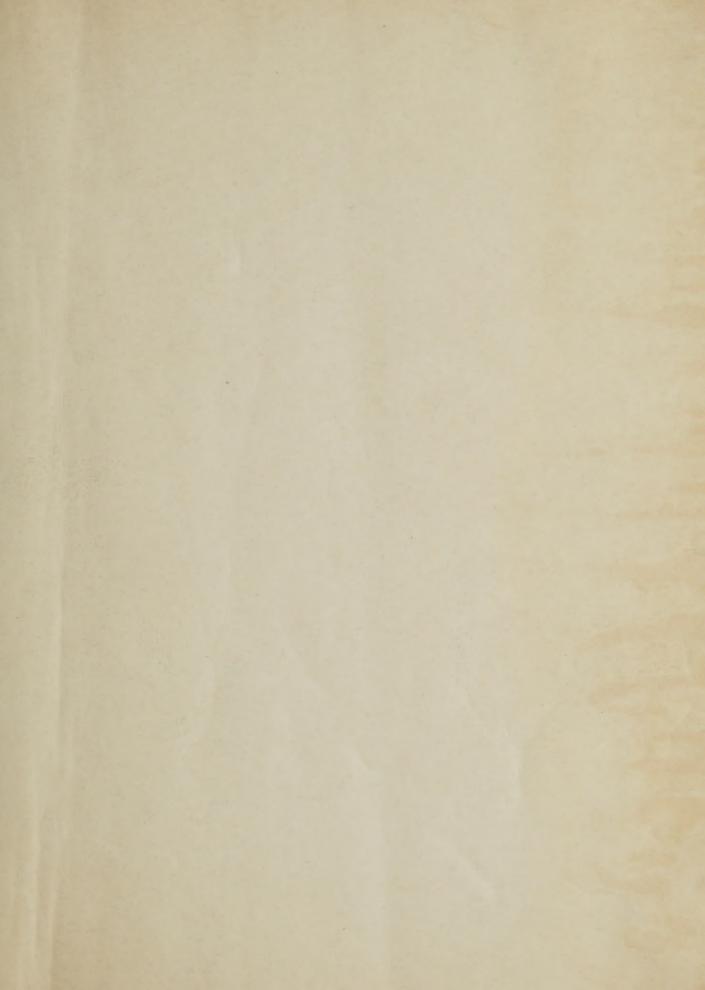
HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL REPORT

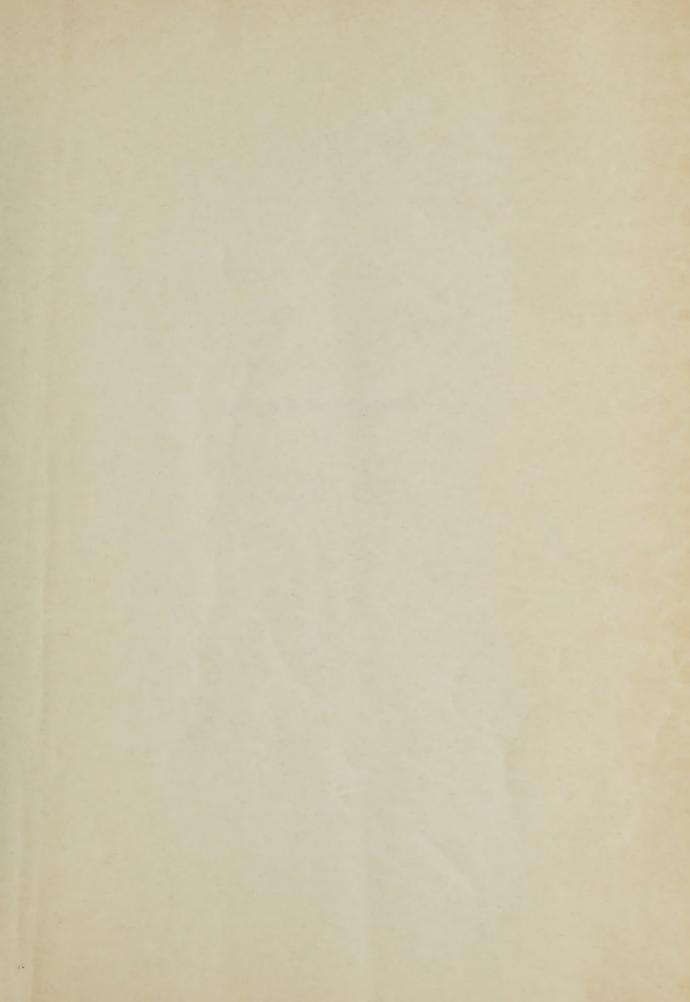
GUELPH RADIAL RAILWAY

JOSEPH H. W. BOWER
SECRETARY





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Hydro-Electric Inquiry Commission

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Quelph Radial Railway

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COPY FOR ENCLOSURE TO

Toron to. Rarch 14, 1923.

Mydro Blectric Inquiry Commission, W. D. Gregory, Req., Chairman, Foronto, Ontario.

> Re: General Report Suelph Radial Railway.

Mr. Chairman and Contlemen:-

In accordance with your instructions, a general report on the Guelph Hadial Railway has been made along the general lines approved of by the Commission on January 2nd. The work has been denominary and irect personal supervision as per your directions.

The reports of Messrs. Price, Esterhouse & Company and Messrs. Clarkson, Gerdon & Dilworth have been used in the preparation of the report and in addition complete studies have been made of all evidence taken at the public hearing held in connection with the Railway. The report falls naturally into two distinct parts. The first part includes sections entitled "Chronological Chart", "Historical Sketch", "Physical", "General Economics" and "General Eclations", which sections are a resital of facts together with explanatory matter. The second part entitled "Summary" is in effect a series of my own personal deductions and should be considered as such.

In reference to the first part of the report referred to above, it is pointed out that wherever use has been made of statements, figures or opinions given in reports by the auditors these have been carefully checked by the auditors and are completely concurred in by them.

The evidence and reports forming the basis of this report are appended hereto, and in order to facilitate reference to the documents in question on the right-hand margin of the report throughout will be found abbreviated references.

Yours very train,

JENES/G.

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Committee to be beginning and

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#### SUNLPH RADIAL RAILWAY

#### CHRONOLOGICAL CHART

with the object of showing the beginning and development of the Guelph Sadial Sailway together with the various circumstances leading up to the taking over of this Sailway by the Sydro-Electric Power Commission under the Guelph Sailway Act 1921.

In this chart, the Sydro-Nieston Power Commission is referred to as the Commission.

2 8 9 4 Quelph Railway built by Goorge Sleeman.

1902 Railway purchased by City of Guelph for \$78,000.00.

### 1212

- July 11th Following negotiations an agreement is completed whereby the Grand River Railway Company (a subsidiary of the Canadian Pacific Railway) is to take over operation of Guelph Radial Railway for twenty-five years, etc.
- Aug. 11th By-law to confirm this agreement submitted and defeated.

Guelph requests investigation into System by Hydro-Riestric Power Commission.

Bovembor Commission report submitted to Guelph.

Quelph Council decides to transfer Railway to Commission. Campaign started by Commission to have two necessary by-laws passed, one to provide for taking over of the Railway, the other its inclusion in a Radial System.

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#### 1920

January Both by-laws passed, but general radial scheme not proceeded with. This necessitates new submission to the people. Commission apply for logislation by which Railway can be taken over and operated separately. This legislation refused.

Dec. 8th Purther negotiations result in completion and signing of new agreement satisfactory to all parties.

1981

Jan. 1st By-law approving agreement passed.

April 27th Agreement approved by Order-in-Council.

May let Bailway formally transferred.

May 3rd Agreement confirmed by legislation (Smelph Englymay Act, 1921.)

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Separated and desired the control of the latest desired to the lat

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## HISPORICAL SECTOR

Under the provision of the Guelph Sailway Act

1921 (Il Seerge V., Chapter S2), the Hydro-Electric Fower

Commission of Catario was granted authority to take over

all the assets, undertakings and properties of the Guelph

Radial Esilway Company, and to operate the Esilway asserd
ing to the terms of the agreement dated December Sth, 1920.

this Railway, built in 1894 by George Sleeman, City Banager's had been purchased by the City of Snolph in the year 1908 letter 21/2/23.

pursuant to an arrangement bereby the outstanding capital stock was purchased for \$30,000.00 and the bonded indebtedness of \$48,000.00 was assumed. Subsequent to this the Br. P.53 Railway System was increased by extensions and besterments from time to time until in 1919 it was said to have a value of approximately \$200,000.00. During the period of the City's ownership of the System, his management and administration was Sycarried out by a local Commission for a time, and and administration by a Committee of the Eunicipal Council.

The Railway, under this management, appeared never to have been able to meet its operating and fixed charges.

There had always been deficits in the operation of the System.

In the year 1919, the Railway Committee of the City Council together with the City Manager and the Mayor, Mr. Carter, approached a local Canadian Pacific Railway man, on behalf of the City, to ascertain whether assistance could be

the second particular in the second particular in the second the control of the co NAME AND ADDRESS OF TAXABLE PARTY AND PERSONS ASSESSED. NAME AND ADDRESS OF TAXABLE PARTY. A STATE OF THE RESERVE OF THE PARTY OF THE P NAME AND POST OFFICE ADDRESS OF PERSONS ASSESSED. NOT THE REAL PROPERTY AND ADDRESS OF THE PARTY OF THE PAR R 你你在\$P\$ \$ \$P\$ \$\$ 大大·西尔·英语教 養養 有人原文 数字。 ANY PART AND THE PERSON NAMED AND ADDRESS OF THE PARTY AND ADDRESS OF T . the second secon Alternative section and the section of the And in case of the the first term of the second section of the section of the second section of the section of the second section of the se parties from the contract of the contract with addition of the contract of the will produce out the recovery table one will be below it former. the party of the p the same of the contract of th

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obtained from that quarter to enable the road to be placed on a paying basis. It is to be noted that the City of Guelph has an agreement with the Canadian Pacific Bailway in connection with the Guelph Junetion Railway running from the City to Suelph Junction, - a distance of sixteen miles, - by BV. which the City has a yearly revenue, amounting in 1921 to 1212 \$86,000.00. As this arrangement had been a profitable one for AV. the City, it was considered that some arrangement might be 1227 . 1226 made with the Canadian Pacific Railway whereby an outlet sould be obtained to the south (and to Puslinch Lake, a property owned by the City), which reputed tonnect with the Grand River HT. Railway owned by the Canadian Pacific Railway, running from 1112 Respolar to Port Boyer. In this way a sonnection would have been obtained with Brantford, Paris, Sinces and Pert Dover.

these associations between the Grand River Railway Company, the City of Suelph and the Suelph Radial Railway Company on July 11th, 1919. In this agreement the Grand River Railway Company not only undertook to extend its line of railway from the Town of Respelor to the Sity of Suelph and connect it with the Suelph Railway but to expend \$16,500.00 on necessary repairs to the existing System. The management was to be undertaken by the Grand River Railway Company. Fork on the lines was to be commenced as soon as possible and the agreement was to last for twenty-five years. The not profits of the Guelph Radial

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Railway were to be divided equally between the Grand River Railway Company and the City. Any deficit, of course, was to be borne by the City, but any purchases of rolling stock or im provements had of necessity to be submitted first to the City Council for approval, and if this approval was withhold them to the Ontario Railway Board. Fares were fixed at five conts. six for twenty-five cents during cortain hours, and ten children's tickets for twenty-five cents, which rates were to be maintained subject to increase by legislation or the Ontario Railway and Municipal Board. Accounts were to be adjusted yearly and provision was made for a renewal at the expiration of the twenty-five your period. The terms of this agreement, however, of mecessity had to be submitted as a by-law for approval of the electors of the Sity of Snalph. This by-law was submitted on August 11th, 1919, and was defeated by a substantial majority. The Hydro Radial Railway Association and the Chairman of the Hydro-Blectric Power Commission took a very active part in opposing it.

1215 3r.

on September 2nd, 1919, a resolution was passed by
the Guelph City Council requesting the Hydro-Eleatric Power
Commission to investigate the operation of the Bailway. This 3r.
p.52.
investigation was carried out and a report submitted to the
City of Guelph in Movember, 1919. This report deals at length
with the condition of the Bailway, pointing out that the
readbed generally was in poor condition, the ties bad, the

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HYDRO-ELECTRIC INQUIRY COMMISSION
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stool generally was in fair condition, bonding bad, etc.

Attached to this report was an estimate by which the twentyfour minute service could be improved to a ten-minute "headway" by the purchase of new equipment sesting approximately
\$97,000.00. The cost of putting the existing tracks and
'everhead construction in sperating condition was estimated at
\$50,000.00 and a further sum of \$50,000.00 was estimated to be
expended in improvements and betterments ever three or four p.50.
years following, making in all a total of \$197,000.00.

This report of the Chief Engineer of the Commission stated that the Swelph English Railway would incur a loss of from \$6,000.00 to \$17,000.00 per annua, so long as it was operated as a System by itself, but that "if the line were operated as a part of the proposed Hydro Electric Railway between Hamilton, Ritchener and Guelph . . . the interurban line should be able to predit the Swelph Radial Railway with sufficient our annually for use of Guelph tracks to allow the Swelph Radial Railway to most all of its depital and operating charges.

p.61.

report an agreement was prepared by which the Railway was to be transferred to the Commission's management subject to the necessary legislative authority. This agreement was submitted to the cleature in January, 1920. At the same time the standard Hydro-Electric Railway agreement providing for the construction of a Hydro-Electric railway line connecting

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Hydro-Electric Inquiry Commission

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Hamilton, Galt, Mitchener, Preston, Minira and Guelph, for a part of which the City of Quelph was to be responsible, was also submitted to the electors. Both of these by-laws carried by large majorities, but, owing to the fact that the radial scheme was not proceeded with, it became impossible for the Commission to take over the Quelph Railway. The Commission, however, approached the Provincial Legislature with a request for the necessary legislative authority permitting the taking over of the Suelph System, and operating it as a separate line under the by-law passed, but this request mus not granted. Consequently, it became necessary to submit and that by-law before the assessary transfer sould be made.

A new agreement was propared, and after considerable discussion, a form satisfactory to alk parties was approved. the agreement being dated December 6th, 1930. This was ratified by the electors of Guelph in January, 1921. A clause in this agreement necessitated the ratification of the agreement by a special Act of the Legislature and consequently the Guelph Railway Act, 1921, was passed and assented to by the Lieutenant-Governor on May 3rd, 1981. The formal transfer of the System to the Commission was accomplished May lat, 1921.

Since the Railway has been operated by the Countssion very extensive rehabilitation has been done, eight new one-man cars have replaced the againment formerly used, and a ten-minute service is given instead of a twenty-minute

D.6.

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The favor have been increased from a cach fore of five cents, to a caph fare of six cents, six tickets for thirty-five cents or twenty tickets for one dollar.

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P.W.

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#### PHYSICAL

The Railway comprises an electrical street railway within the City of Guelph, together with short lines extending to the Ontario Agricultural College and to one or two other points in the vicinity of the City. As of October 51st, 1921, the property comprised chiefly:-

10.05 miles of track

- 7 closed passenger cars
- 2 open passenger cars
- 2 work cars
- 1 sweeper | comoti

During the past year the Commission has purchased and put into operation eight one-man safety cars to replace the other passenger cars which will be either sold or scrapped P.W. in due nourse.

The purchase agreement provided that the Commission was to supply "electrical power or energy for operation of the railways at rates consistent with those charged to municipal corporations".

Since the date of acquisition, the Railway has obtained its power from the City of Suelph and paid for same on the following basis:

\$1.25 per H.P. per menth on maximum demand, plus 1/2 cent per K.W.H. on actual consumption.

Slark REPC. JANAGES SE

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#### GENERAL ECONOMICS

#### SOURCES OF INFORMATION

The following review of the general economics of the System is based on information obtained from the reports submitted by Mesars. Price, Faterhouse & Company, Auditors, and Mesars. Clarkson, Gordon & Dilworth, Auditors, together with evidence given at the public hearing in connection with the System.

#### PURCHASE PRICE

The Hydro-Electric Power Commission of Ontario purchased the Eailway Gyal Piron the City of Guelph as at May 1st, 1921, under the authority conferred by the Hydro Electric Eailway Act and according to the terms of an agreement dated December 5th, 1920. This agreement was confirmed by the Guelph Railway Act of 1921.

D. 4.

Under the terms of this agreement the Commission purchased from the City of Guelph all the assets of the Guelph
Endial Railway free from liability and including freehold and
leasehold lands with certain exceptions noted in the agreement,
all plant, machinery, rolling stock, franchises, patents, etc.,
and all outstanding shares of the capital stock of the Guelph
Radial Railway Company. The consideration for the acquisition
by the Commission of such assets was \$150,000.00, payable,

and forces and street and property and property and particularly dealers and A TOTAL CONTRACTOR OF THE PARTY TARREST AND ADDRESS OF THE PARTY OF THE PART Appendix on printing or party of the party o THE RESIDENCE OF THE PARTY OF T while the same of the same of the THE RESIDENCE OF THE PERSON OF the Manager and State of the Contract of the C the first of the last two controls to the last to the last two colds. party played a property and the second section and the second section and the second section as a section as a section as a section as a section a MARKET STATE OF THE PARTY NAMED IN COLUMN TWO IS NOT THE OWNER, THE PARTY NAMED IN COLUMN TWO IS NOT THE OWNER. PROPERTY AND PERSONS ASSESSED FOR ADDRESS OF TAXABLE PARTY. the second section is a second section of the second section of the second section is a second section of the second section of the second section is a second section of the section of the second section of the second section of the second section of the sectio

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including interest at 40% per amum, in instalments of all \$11,700.00 each year for twenty years in half-yearly payments on May 1st and November 1st.

P. W. P+4+

Under the terms of the purchase agreement and the Quelph Railway Act. it is provided that the Commission may issue bonds to the amount of \$150,000,00 and also that this sam might be increased from time to time with the concent of the municipal corporation of the City of Guelph to cover the capital cost of extensions and improvements.

Pursuant to this authority the Commission issued bends for \$150,000.00 bearing interest at 8%, maturing May 1st. 1931, for the purpose of rehabilitating the System and extending it. Under authority of Section 5, of the Guelph Railway Act, which in effect confirms and validates Paragraph 7 of the agreement, the City of Guelph was authorized to issue debentures not exceeding \$300,000.00 maturing May 1st, 1971, and D. 5. bearing interest at 6% payable half-yearly, which debentures were to be deposited with the Commission as collateral security for the purchase price of \$150,000.00 assumed by the Commission and the \$150,000.00 6% debentures of the Commission issued for the rehabilitation of the System. These underlying debentures can be sold by the Commission if the revenues derived from the operation of the Enlivey are insufficient in any year to meet operating and working expenses, administration expenses, interest charges, sinking fund and renewal provisions, and the instalments payable under the purchase agreement. P.5.

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This Act also authorized the Commission to create additional issues from time to time as needed for extensions and betterments, of the System, with the consent of the nunicipality, and also authorized the City of Quelph to issue and deposit with the Commission deposits with th

# APPRAISAL OF PROPERTIES

Prior to the purchase of the Easimy, a valuation
was prepared by the Engineers of the Commission of which
\$15,603.00 was included to posts having no apparent tangible
value. The values assigned to the various classes of assets as
of May lat. 1921, as valued by the Engineers of the Commission
were as follows:

Capital Assets	As valued by the Engineers of the R.E.F.C. as at New late 1981.
Engineering and superintendence	9 4,954.09
Right-of-way.	575.00
Track and hondway Comstruction	71,385,00
Electric Line Construction	7.846.00
Real Hetate mond in Operation	*
of Rond	2,154.00
Buildings and Firtures used in	
Operation of Road	17,206.00
Power Plant Equipment	500.00
Shop Tools and Machinery	1,814.00
Uspa	10,136.19
Electrical Equipment in Cara	12,330.00
Miscellancous Squipment	243,00
All other, including intangibles	15,603,00
Total	\$ 144,695.19

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Prom the above it would appear that the intangibles at time of purchase amounted to \$15,605.00, made up by the item on page 12. "All other, including intangibles".

The difference of \$5,501.81 between the Capital Assets at May lat, 1921, and the purchase price represented materials and spare parts not included as Capital Assets.

P.W.

The investment in Capital Assets as at September 50th, 1922, amounted to 9373,491.27, made up as follows:-

Engineering and Euperintendence	*		\$18,417.88
Hight-of-way	*	*	603.17
Track and Readway Construction.	*	*	192,434,29
Electric Line Construction		*	11,165,85
Roadway Machinery and Cools		*	4,098.13
Distribution System		*	5,306.14
Real Estate machin Offeration			***
neal Betate medit of Portion of Road Co	Mit	*	2,164.00
Buildings and Fixtures used in			
Operation of Road		*	25,061.09
Power Plant Equipment			800.00
Shop Pools and Machinery		*	2,006.89
Cars		*	\$9,080.91
Electrical Equipment in Care		-	35,746-18
Miscellaneous Equipment			1.407.58
		Alies.	
All other, including intangible	都 余	*	11.482.24
		de	the state when the second the second
# o t a l	*	* 1	373,491.37

198a

expended by the Commission in construction and rehabilitation work from the date of acquisition, May lat, 1921, to september 30th, 1922, was \$220,793.00. From the latter date to January Slot, 1923, an additional amount of approximately \$37,000.00 has been expended, bringing the total to approximately \$20,700.00.00.

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The report of the Chief Engineer of the Commission dated November 1st, 1919, estimated a cost of \$197,000.00 for putting the existing tracks and everhead construction in operating condition and providing necessary new equipment. The expenditures, therefore, exceeded the estimate by approximately \$68,700.00 or \$5%.

## ANGERTALITY ATTEMPTOR

The total investment of the Commission in the Railway as at September 20th, 1922, amounted to \$397,294.60, made up as follows:

> Amount payable to Crty of Guelph under terms of purchase agreement of December 6th, 1930 ..... \$150,000.00

> In respect of \$150,000.00 6% bonds
>
> maturing 1931, issued and sold
>
> by Commission for purpose of
> rehabilitation of Railway ...... 180,000.00

In respect of each advances to the Reilway being part of the proceeds of a demand loan of \$115,600.00 obtained from Bank of Montreal on cocurity of a second issue of the Commission 6% bonds in amount of \$150,000.00 maturing May 1st,1951

27.224.80

\$597,294.80 192m

The city of Suelph was not asked by the Commission to Issue underlying debentures as security for the bend issue of the Commission deposited with the Bank of Montreal as security to the demand lean of \$115,000.00.

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## RESTRYS POR REVEYALS

During the first six weaths of operation the amount of \$1,998.75 was charged in the operating cost for renewals.

F.W. D.11.

entire rehabilitation of the road was commenced and during the last ficeal year of operation no provision with respect to renewals has been made. As in the Sandwich, Windsor & amberatourg Sailway System, a minute of the Commission on December 13th, 1922, provided that no reserve for renewals should be charged during the rehabilitation of a railway system.

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## SINKING FUED

the bonds issued by the Commission has been included in the cost of operation. Under the terms of the purchase agreement the prevision for sinking fund is not required to be made until the expiration of ten years from May lat, 1921.

P. W.

Both issues of bonds of the Commission mature on May 1st, 1931. The first issue of \$150,000.00 was sold for the purpose of rehabilitation of the Railway whereas the second issue of \$150,000.00 was not sold, but was pledged to the Bank of Montreal as collateral security to a demand loan of \$115,000.00. It will, therefore, be seen that refinancing will be necessary in connection with the rejirement of the first issue, and that the demand loan for which the second

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isone was pledged may be called at any time.

## CONTINGES ISE

No provision has been made in the accounts of the Hailway in respect of contingencies.

## OPERATURO ARBUMAR

The total less to Sateber Slat, 1928, including instalments on account of purchase price payable to the City of
Guelph by the Commission, but not taking into consideration
provision for renewals for 1928, was \$54,225.64 made up as
follows:

Deficit for 5 matthe dating Cot. 31, 1921 - \$10,481.32 Deficit for year anding Outober 51, 1922 - 28.874.32

954, 225.64

Such the drawn to embassion 3, of section 5, of the Such Railway Act, which provides that "in the event of the revenue derived from the operation of the Suilway being intuitional in any year to meet operating and working expenses, with administration expense, interest charges, sinking fund and renewal provision and the instalments payable under the purchase agreement, the corporation of the City of Guelph shall make payment to the Commission of any deficit".

The above deficit of \$54,325.64 for the eighteen months ending October Slat. 1922, payable by the City of Swelph includes the sum of \$17,850.00 payable by the Commission to the City of Guelph on account of the purchase

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7. W. p. 18.

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price as follows:-

Instalment due November 1,1921 - \$5.850.00 Instalment due May 1st. 1922 - 8.850.00 Instalment due November 1,1922 - 6.850.00

\$17,850.00

From the above it will be seen that the not loss inourred by the City of Snelph from May lat, 1921, to October Slat. 1922, was \$16.675.64.

paid to the Commission an amount of \$10,651.32 representing the deficit from operation for the six months ending October Slat. 1921, and the Commission has paid to the City of Suelph amounts aggregating \$11,700.00 representing two of the three instalments of \$5,850.60 On Man to the City of Suelph from the Commission under the terms of the purchase agreement. The net amount, therefore, due from the City of Suelph as at October Slat. 1922, amounted to \$17,724.32 as follows:

and provision for renewals been made in the year ending October Slat, 1922, on the same basis as that used in the previous six months, a further operating charge of approximately 36,600.00 would have been made which is based on depreciable plant.

27. 1105

Sinking fund payments are not required during the first ten years' operation of the Bailway, but had such payments

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The additional charge for renowals would have ingreated the operating deficit to October Slat. 1922, to \$40,825.64, and had provision for sinking fund been required the deficit would have been further increased by \$2,367.00.

Interest charges against the hallway for the year ending October 31st, 1922, exclusive of amounts in respect to the purchase price, amounted to \$8,476.45 of which \$2,359.21 was capitalized and the balance of \$6,117.22 was charged against operations. With the emplote rehabilitation of the Railway and the issue of \$300,000.00 6% bonds, the interest charges against operations will amount to approximately \$18,000.00 per annum or an increase of \$11,882.78 which, of course, will have the effect of augmenting the annual deficits correspondingly.

No provision has been made for continguacies since the acquisition of the Railway by the Commission.

INSURANCE.

The insurance premiums paid to October Slat, 1922, both fire and fidelity were as follows:-

Six months ending Oct. 31st, 1921 . . . \$856.69 year ending October Slat. 1922 . . 2.497.53

\$5,384.22

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Details of insurance in force are as

Fire - Bui	ldings					\$161,000.00
Burglarly,	Mense	nger a	and Of	filee		
.264 5. 20 2.44	Lobbe	TY .	* * *			\$,200.00
Accident -	Maxin	mm for	r one	accident		10,000.00
				person .		8,000.00
Boiler .						25,000.00
Liability	under	Workm.	au's	ompensat	ion	
				* * * *		Maximum accord- ing to the Act.

#### MITTE

When the City of Guelph took over the Bailway in 1902, the read was exempt from taxes under the franchise granted to Sleeman when the read was built. In view of the continued deficits the City has never taxed the Railway except for certain lead improvement charges for paving and watering since 1909.

The taxes since 1920 have been as fellows:

1920 - \$2,518.20 1921 - 3,176.79 1922 - 3,176.81 City Mamager's letter 21/2/23.

The taxes for the year 1922 were unpaid at date of February Slat. 1923.

#### RIBELL

On November 1st, 1922, the straight five cent fare or six tickets for twenty-five cents was changed. The new schedule new in operation provides for a cash fare of zix cents, twenty tickets for one dollar, or six tickets for thirty-five cents. Children's fares are three cents.

P. V. p. 127, 5 13.

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## GENERAL RELATIONS

Mr. J. A. Maindrew, E. G., has propored a resume of the Guelph Railway Act, 1921, and many of the important points have already been detailed in the section of this report entitled "General Roonemics". The following are extracts from his resume:

"The Guelph Radial Railway Company was a party to and executed the agreement, but the agreement contains no covenant or agreement on its part to sell, transfer or dispose of its assets, undertakings and properties. The Numicipal Corporation of the City of Guelph, although the owner merely of the shares of the capital stock of Parlivay Company, agreed to sell the assets, undertakings and property of the Railway Company, which it had no power to do. However, by The Guelph Railway lat, 1921, (Il George V, Chapter 22) the agreement was confirmed and declared to be legal, valid and binding upon the Municipal Corporation of the City of Guelph and the ratepayers thereof, the Hydro-Blectric Power Commission of Ontario and the Guelph Radial Railway Company, anything in any general or special Act of this Legislature or in any by-law passed under any such act to the contrary netwithstanding."

That has been effected by the precedings adopted,
the agreement made and the Legislation enacted amounts
simply to this:- The City of Swelph coming all the shares
of the capital stock of The Guelph Radial Railway Company
has transferred these shares to The Hydro-Electric Power
Commission of Cutario; all the assets, undertakings and

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property of the Guelph Radial Railway Company, although certain lands were excepted in the agreement, have been by Legislation vested in the Commission. These assets, undertakings and preparty in accordance with the provisions of The Hydro-Bleetric Bailway Act and the agreement are vested in the Commission in trust for the Corporation, the Commission having a list thereon for all money expended by the Commission under the agreement. The Commission page to the Corporation \$150,000.00 in instalments. and the Corporation repays this to the Commission, which in the meentime has a lien for the amount on the Railway property and on the debentures of the Corporation. The Prevince has gnaranteed the bond issue of the Commission, which bend issue is a charge upon and secret by the Railway, and all the assets. rights and privileges, revenues, works, property and offects belonging thereto. The Province does not collect the tax provided by Subsection 7 of Section 4 of The Corporation Tax Act. The Province has in effect pleaged its credit and refrained from collecting roronne it would otherwise receive in order that the Corporation of the city of Quelph may place the operation of a Railway within the Municipality in the hands of The Hydro-Blootric Power Commission of Untario. We are not used to see a street of the art relations of the

The desire and intention of the Corporation might more simply and effectively have been accomplished by the election by the Corporation as shareholder of the Bailway of members and officers of the Power Commission to constitute a Board of Directors of the Railway Company."

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# ORIGINAL BEGOTIATIONS

In the year 1919 the City of Guelph owned and operated a street railway built in 1894. The Railway had never paid its way, though efforts had been made to increase the revenue by making extensions from time to time. and it is not surprising that it was allowed to fall into a very bad state of repair.

the City Council, so it was decided to discuss the situation with a local representation of the Canadian Pacific Railway. The City already had an agreement with this Company in connection with the duelph Junction Railway, which was built by the City and operated by the Company, and the agreement had resulted in the City receiving a return in that year of \$66,000.00 on its investment of \$171,000.00. With this novel experience in mind, it was natural for the Council to go to the Company for a solution of the problem.

Canadian Pacific Railway, operating radial lines in Preston,
Waterloo, Eitchener, Galt and Hespeler, and connecting these
towns, by another subsidiary, the Lake Bric and Northern, with
Paris, Brantford, Simmon and Port Dover, When members of the
Guelph Council decided to approach the Canadian Pacific Railway
they started a movement which led to an agreement being made

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with the Grand River Railmay.

The agreement in question is referred to later in more details briefly it provided that the Grand River Bailway was to manage the Guelph Bailway and build a line connecting it with the town of Respelor.

On the lith of August, 1919, a by-law to confirm this agreement was submitted to the electors and defeated.

electors was one raised by Er. J. V. Lyon, an influential man in the affairs of the City and President of the Guelph Junction Railway for seventeen years. His view of the matter was that the Canadian Pacific Railway for the sole purpose of helping a harassed Council to overcome difficulties with street cars, but that the Company intended to divert freight from the Guelph Junction Railway to the Grand River Radials, which would in future connect Guelph to Port Dever, and thus rob Guelph of the yearly revenue from the steam road and increase the revenues at the Grand River Railway and its parent the Canadian Pacific Railway.

another factor which may have contributed in no small measure to the defeat of the by-law was the thought that by entering into an agreement with the Grand River Railway, the City would in effect turn ever the control of its streets to a private corporation.

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But probably the most effective reason for the defeat was the campaign conducted by Sir Adam Seck and the Hydro-Sleetric Railway Association. In the words of Mr. J. M. Paylor, another prominent citizen, "The Hydro organization got to work, the papers immediately dropped pushing the Canadian Pacific contract and it was voted down".

Ev. 1215

opinion as to the wisdom of the City in voting against the proposed agreement with the Grand River Railway, but it should be noted that the Company's proposition appeared to be a favourable one for the City. The Company was to spond \$16,800.00 on rehabilitation officance and everhead works, and was to build at its own expense a railway from Respelor to Guelph with a spur to Puslinch Lake, the City providing land owned by the City as required. If there were profits from operation they were to be divided equally between the City and the Grand River Railway, if deficits the Suelph Company had to bear them. The fares were to remain at five cents, with six tickets for twenty-five cents during certain hours.

bonefit of experienced management by the Grand River Railway, and connection through Hospeler with radials to Preston, Water-loo, Eitchener, Galt, Paris, Brantford, Simose and Port Dovor, as well as to Puslinch Lake, a pleasure ground, which at present can only be reached from Quelph by road, and as far as deficits

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 were soncorned, it is probable that they would have been less under the new management than before especially with the additional traffic that would be likely to result from the Radial connections. The diversion of traffic from the Guelph Junction Railway, referred to by Mr. J. V. Lyon as one reason why the City should not enter into such an agreement, was possible but it appears more probable that, if the Canadian Pacific Railway and its subsidiary, the Grand River Railway, had any ulterior motive as has been suggested, their object was to secure the Guelph Railway and thus prevent development of radial competition.

would not have been easy to put into effect, as the radials over which the freight would be taken pass through the main streets of presperous towns and it is not probable that their inhabitants would consent to the innovation. Loop lines would of course have everyone this difficulty but taking everything into consideration it does not appear probable that the Canadian Pacific Mailway would have benefitted greatly by such a policy of it were contemplated.

Outligh with a number of attractive towns might by its own operations alone prove a wise investment for the Company.

Municipalities such as Mitchener. Preston and Salt ove their prosperity to no small extent to the radials which connect them and it is reasonable to believe that Guelph would also have

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benefitted in the future by the connection.

The Hydro-Riccipic Power Commission had shown interest in Guelph's street railway problem by opposing the agreement with the Grand River Railway, and had outlined the benefits which would socrue under the administration of the Commission, so by the end of the same year the Council decided to transfer their railway to the Commission and a campaign was started by the Commission to have two by-laws passed, one to provide for the acquisition of the Bailway by the Commission, the other to include the Hailway in a Hydro radial scheme. The Commission in a report to the City outlined three schemes for the operation of the read, all of which contemplated yearly deficits running from \$6,000.00 to \$17,000.00 so long as the road was operated alone. was pointed out, however, that if the road were operated in conjunction with the proposed Hydro-Blestric Railway between Hamilton, Kitchener and Suclph, it should be able to meet its capital and operating charges. Both by-laws were passed but, owing to the fact that the radial scheme was not proceeded with, the Commission was in effect left with the Guelph Street Rallway.

Application was made to the Legislature during the Session of 1920 for sanction for the purchase of the Railway by the Commission and refused.

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A year later a new agreement was submitted to the electors and passed, and this agreement was confirmed by the Guelph Bailway Act, 1921.

### PERCHANA PRICE

the terms of the Guelph Railway act, 1921, the Commission agreed to purchase and the City agreed to sell the Railway for the east of \$150,000.00 payable, including interest at 65% per annum, in instalments of \$11,700.00 in each year for twenty years. In turn the City agreed with the Commission to bear the cost of acquiring, equipping, operating, maintaining, repairing, etc., the Railway and its property and works as established by the Commission.

Thile a special Lot was passed to validate the agreement between the City of Guelph and the Commission, it should be noted that Clause 6 provides that the provisions of the Hydro Electric Esilway Lot, 1914, and amendments thereto shall also apply.

#### REMARILITATION

As pointed out on page 6, a report prepared by the Engineers of the Commission in Hevember, 1919, estimated the expenditure required for rehabilitation at \$197,000.00, and as at January Sist, 1925, the expenditure for this purpose amounted to approximately \$265,700.00. The expenditures therefore exceeded the estimate by approximately \$68,700.00 or \$5%. At the public hearing held in Guelph on the 9th of Hovember, 1922, witnesses who formerly had taken part in the administration of the Railway appeared to be impressed with the elaborate scale

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upon which the work had been carried on, and other witnesses seemed to think that the work could have been more officiently handled. Apparently the Commission carried out its usual policy of doing work along the most permanent lines, but in support of the contention of certain witnesses who considered the work inefficient, it may be pointed out that, according to the evidence of the City Engineer, the Commission effered the City \$500.00 to do cortain paving and that the City did the work for \$165.00 and billed the Commission appordingly. This instance annears to show that wacover estimated the cost for the Commission . was not familiar with this particular work, or that the cost of work done by the Commission's men was octimated on a much higher basis than that on waight printing work could be done by employees BY. 1198. of the Gity.

The Chief Engineer of the Commission pointed out in his evidence that the original estimate of \$197,000.00 covered only the putting of the read in operating somittion, and that, when the read was taken ever, it was found that it would be economy to remabilitate the read rather than put it in operating condition only.

#### RESULTS OF OFTRATION

The total lose to Detober Slat, 1922, including instalments on account of purchase price payable to the City of duelph but not including prevision for renewals for 1922 was \$34.228.64. The deficit for the year ending October Slat.

1922, was \$23.574.38 or 36% more than the maximum \$17,000.00

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yearly deficit estimated by the Commission's Engineers. Had provision been made for renewals in 1982 an additional operating charge of \$6,600 would have been incurred, bringing the deficit for the year to \$50,174.52, and the accumulated deficit for eighteen menths' operation to \$40,925.64.

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#### SINEIRO VUND PRESEVE

Under the terms of the purchase agreement the provision of sinking fund is not required to be made until May 1st, 1931.

R. .

Both issues of bonds of the Commission mature on May let, 1951. The first issue of \$150,000.00 was cold for the purpose of rehabilitation of the Bailway whereas the second issue of \$150,000.00 was not sold, but was pledged to the Bank of Montreal as collateral security to a demand loan of \$115,000.00.

on the basis set forth in the Suelph Railway Lot, a further annual charge of \$1.578.00 would have been incurred, thus bringing the deficit including renewals mentioned above for the year 1922 to approximately \$51,700.00 and the accumulated deficits for eighteen menths' operation to approximately.\$45,900.00.

The Guelph Bailway Lot differs from the Fower Commission Lot in respect of the creation of a sinking Fund to repay the investment in the works, etc.

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The Power Commission act provides for the deferment of sinking fund payments for a period of five years, and regaines the municipal corporations to pay as a part of the cost of power an annual sum with interest at 4% per annum sufficient to form in the next ensuing thirty years a sinking fund to repay the advances made by the Province. The Guelph Railway Act and the Eydro Electric Esilway Act extend the deforment period to ten years and the period of ereating a sinking fund for the repayment of the investment in the works. eto.. to forty years after the expiration of the deferment period. Thus, under the Guelph Railway act two benefits aserue to the Municipality of theigh, namely, a longer deferment period and a longer period of creating the sinking fund, which have the effect, with money at 4%, of reducing the charges from 1.8% to 1% which amounts to a reduction of approximately 60%. As the \$150,000.00 of debentures issued for rehabilitating the Railway mature on May lot, 1981, and prior to the date as of which any sinking fund's accumulations are required to be made, these bonds must be refunded by amother image.

# RESERVE FOR BRUSEVALS

As in the case of the Sandwich, Windsor & Anhorstburg Railway, a minute of the Commission dated December 13th, 1922, provided that no reserve for renewals should be charged during the rehabilitation of a railway system.

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principle, brong, and renewal reserve should have been sharged from the commencement on some fair and equitable basis. Where an enterprise is in operation and at the same time being partially constructed and rehabilitated the proper precedure is to make a division of the ampital, charging renewals and contingencies against that portion in operation, and climinating renewals and sometimencies on that portion still under construction, the interest in the first case being charged to operation and the interest in the second case being capitalized and charged against construction.

operating basis reserves for renewals should be set up and carried along year by year in the usual way. There are probably few public utilities that depreciate more and in which the question of obsolescence of equipment enters more fully than electric railway proporties. The average wear and tear on readbed and equipment is very great and obsolescence of rolling stock is a matter of such apparent evidence that it requires no further comment in supporting a renewal account that will take care of such costs.

As pointed out on page 18 of this report insurance is carried by the Commission in respect to the proporties, and to a certain extent this insurance provides for lesses

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which may be included under the general heading "Contingencies". It is pointed out, however, that the total amount of liability insurance recoverable is comparatively small, amounting to a maximum for one accident of \$10,000.00. Concideration should be given to the desirability of the Commission accumulating promiums and carrying its own insurance, and, at the same time, notting up a contingencies fund that would take care of extra-

### PARIE

In December, 1919, Sir Adam Book addressed a public meeting at the Opera Amer in Suelph and, according to the report in the Guelph Daily Herald, said he did not believe in increased fares, and had asked the engineers to base the estimates in Guelph on the present fares, at that time a straight five cent fare or six tickets for twenty-five cents. On the same subject, the following is taken from an editorial in the Guelph Mercury dated December 9th, 1919:

"The matter of fares was another stumbling-block, some of the aldermon thinking that these might be jumped beyond all reason and the public put to inconvenience thereby, forgetting that Sir Adam Book had stated that the Hydro Engineer figured that the present fares would be ample."

272A p.17.

As pointed out on page 19 of this report the each fares were increased from five to six cents on November 1st, 1922, or an increase of 20%. It has been pointed out that, as

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fures have not been increased for those who purchase tickets
in quantity. This is, of course, correct, but the ear users
as a whole are paying a substantially increased fore. The
average fare paid by all passengers in the year ending October
Slat, 1922, was 4.91 sents, whereas for four months ending
February 28th, 1923, the average fare was 5.43 cents. Verbal

#### KHXAX

to assessment and taxation. As pointed out on page 19 of this report the City has purely taxed the Railway except for certain local improvement charges for paving and watering since 1969, amounting in the year 1922 to \$5,176.81. The municipality is, therefore, losing a very substantial amount each year and consequently deficits are borne by the ear users and non-users alike, inasmuch as the deficits must be not by the municipality.

### SVERTUAL OWNERSHIP OF PROPERTY

As already pointed out the municipality of Guelph must issue and deposit depentures with the Commission as collatoral accurity for the purchase price of the Railway. and any bonds issued by the Commission for the purpose of providing funds for improvements and extensions. These underlying depentures may be drawn upon by the Commission

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if the municipality fails to meet its obligations with respect to fixed charges or operating lesses, such operating lesses to include provision for renovals, contingencies, sinking funds. purchase price instalments and so forth. With the payment of an annual instalment on account of the purchase price of the Bailway and the payment of sinking fund after the ten-year deferment period, the Eunicipality of Quelph acquires a growing equity in the Ruilway proportion which will reach a complete equity at the end of forty years. Insemuch as the municipality is responsible for energian deficits, to some extent their bonds should remain in the hands of the Commission as security that operating deficits will be met, but as the instalments on account of the purchase price are mude, and the sinking fund grows. It would appear to be only fair to the municipality that at definite periods a certain proportion of their bonds should be returned to them, the Commission retaining a propertion the roof considered adequate and necessary to offset any operating deficits that might occur.

been taken care of in any way by the Guelph Railway Act, and of course no such provision was made in the Power Commission Act inasumed as the basis of responsibility is on an entirely different plane. It would appear, therefore, desirable that definite consideration be given to the passing of amendments to the Act which will take care of this situation.

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### GENTAL .

In the report on the Sandwich, Windsor and Amherstburg Railway it was pointed out that consideration should be given to the desirability of having a Commission specially appointed to control the operation of the Railway Systems now being operated by the Commission.

The development and sale of power present problems of an entirely different nature from those arising from the control of transportation facilities, and it is doubtful if proper attention is given to the latter, the relative value of which is comparatively insignificant.

In conclusion it is well to review the diroumstances surrounding the transfer of the Railway to the Commission.

Commission and the Eydro Electric Railway association in Gnolph prior to the vote being taken in January, 1920, had for its foundation the development of Gnolph as an important unit in a radial system. Apparently no effort was spared to impress the electors with the benefits they would derive from having their railway operated by the Commission and at the same time having it form a part of the Commission's radial scheme.

The inducements described to the electors may be illustrated by the following advertisement inserted in local

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papers on December 29th, 1919:

"EXMINISH - Guelph is offered a partnership with other Municipalities in a system of Sydro-Electric Exilways that will make Guelph grow, that will pay us \$150,000 for our Street Railway, that will give us a MEAL street railway with MEAL SERVICE, that will give us the outside connections we need, that will give us a line to Puslingh Lake, and that will not cost the taxpayer One Bellar."

particularly the phrase in this advertisement "that will pay us \$180,000 for our Street Railway", this indusement had evidently been impressed on the electors for earlier in the same menth the following column of a local paper.

"We obtain a ten minute service, an up-to-date read. and \$150,000.00 in each."

passed in January, 1920, but that because of the fact that the radial scheme was not proceeded with, it was necessary for the city to submit a new by-law the following year, which was passed and became part of the Suelph Railway Act, 1921.

and that of 1920 and it is a very important one. The 1919 agreement provided for the City receiving \$150,000.00 for the Railway from the Commission, the 1920 agreement contained the same provision, but an additional clause to the affect that the City agreed to bear the cent of acquiring the Railway so according to the 1920 agreement the City has to provide the

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Commission with the funds which the Commission pays to the City for the Railway.

If this rather unuoual arrangement was fully understood by the electors, there is nothing further to say, they voted in favour of the by-law and have what they voted for and pronumably are satisfied. It does not appear however that the details of the 1930 agreement were given the same prominence and explanation as these forming the agraement of 1919, and it would appear probable that the campaign of 1919 still remained from in the minds of the electors and that those who did not study the new agreement experally would still have in mind the thought that the City was to resolve a handsome sum for a railway which was in a very bad state of repair and of practically no value. What the city actually has received from the Commission is a completely rehabilitated read, management by the Commission, an increase of one cent on the each fare, responsibility for the payment of \$265,000.00 spent by the Commission on rehabilitation, and a not loss for eighteen months' operation of \$16,575.64, which together with the purchase instalments gives a total deficit of approximately \$34,200.00, and, as pointed out on page 10, had charges for renowals been made in the year 1922, the total deficit would be approximately \$40,800.00

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THE RESERVE AND POST OFFICE ADDRESS OF THE PARTY NAMED IN COLUMN TWO P

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The our of \$150,000.00 which the City receives
for the Railway, and which was one of the inducements dangled
before the eyes of the electors in the campaign of 1919,
proves after consideration to be no inducement at all, for
the City gains nothing by receiving back from the Commission
its own \$150,000.00.

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